

**The Boys and Girls Clubs of Hartford, Inc.**

**Financial Statements  
and Independent Auditor's Report**

**June 30, 2019 and 2018**

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**The Boys and Girls Clubs of Hartford, Inc.**

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Independent Auditor's Report

To the Board of Directors  
The Boys and Girls Clubs of Hartford, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Boys and Girls Clubs of Hartford, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*


Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Boys and Girls Clubs of Hartford, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Hartford, Connecticut  
December 18, 2019

**The Boys and Girls Clubs of Hartford, Inc.**

**Statements of Financial Position  
June 30, 2019 and 2018**

Assets

	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 3,082,879	\$ 1,473,936
Current portion of pledges receivable, net	1,465,490	979,750
Grants and other receivables	450,927	389,037
Prepaid expenses	<u>5,500</u>	<u>2,500</u>
Total current assets	5,004,796	2,845,223
Pledges receivable, net	3,098,156	1,292,574
Investments	6,423,436	6,384,599
Assets held in trust	9,152,407	9,242,164
Property and equipment, net	<u>3,647,353</u>	<u>4,072,571</u>
Total assets	<u>\$ 27,326,148</u>	<u>\$ 23,837,131</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued liabilities	\$ 231,983	\$ 203,402
Deferred revenue	<u>59,222</u>	<u>89,069</u>
Total current liabilities	291,205	292,471
Total liabilities	<u>291,205</u>	<u>292,471</u>
Commitments		
Net assets		
Without donor restrictions	<u>12,269,386</u>	<u>10,879,830</u>
With donor restrictions		
Time or purpose	5,222,048	3,031,564
In perpetuity	<u>9,543,509</u>	<u>9,633,266</u>
Total net assets with donor restrictions	14,765,557	12,664,830
Total net assets	<u>27,034,943</u>	<u>23,544,660</u>
Total liabilities and net assets	<u>\$ 27,326,148</u>	<u>\$ 23,837,131</u>

See Notes to Financial Statements.

**The Boys and Girls Clubs of Hartford, Inc.**

**Statement of Activities  
Year Ended June 30, 2019  
(With Comparative Totals for 2018)**

	Without donor restrictions	With donor restrictions		2019 Total	2018 Total
		Time or purpose	In perpetuity		
Revenue					
Contributions	\$ 946,378	\$ 758,348	\$ -	\$ 1,704,726	\$ 1,847,786
Grants and contracts	453,556	-	-	453,556	828,319
Legacies	471,017	-	-	471,017	336,410
United Way support	18,048	165,000	-	183,048	129,768
Special events	759,433	-	-	759,433	745,199
Investment return utilized for operations	281,499	28,233	-	309,732	304,620
Program fees	589,563	-	-	589,563	493,040
Other revenue	40,805	-	-	40,805	27,200
Net assets released from restrictions	1,053,641	(1,053,641)	-	-	-
Total revenue	4,613,940	(102,060)	-	4,511,880	4,712,342
Functional expenses					
Program services	3,167,951	-	-	3,167,951	3,254,926
Management and general	663,043	-	-	663,043	671,659
Fundraising	560,501	-	-	560,501	522,129
Total expenses	4,391,495	-	-	4,391,495	4,448,714
Changes in net assets before non-operating activities	222,445	(102,060)	-	120,385	263,628
Non-operating activities					
Capital campaign contributions, net	74,286	4,013,847	-	4,088,133	3,118,262
Capital campaign expenditures	(221,066)	-	-	(221,066)	(267,567)
Investment return, net	315,007	29,454	-	344,461	501,706
Investment return utilized for operations	(281,499)	(28,233)	-	(309,732)	(304,620)
Depreciation	(442,141)	-	-	(442,141)	(458,297)
Change in value of assets held in trust	-	-	(89,757)	(89,757)	2,697,053
Net assets released from restrictions	-	-	-	-	-
Capital campaign	1,722,524	(1,722,524)	-	-	-
Total non-operating activities	1,167,111	2,292,544	(89,757)	3,369,898	5,286,537
Changes in net assets	1,389,556	2,190,484	(89,757)	3,490,283	5,550,165
Net assets, beginning	10,879,830	3,031,564	9,633,266	23,544,660	17,994,495
Net assets, ending	\$ 12,269,386	\$ 5,222,048	\$ 9,543,509	\$ 27,034,943	\$ 23,544,660

See Notes to Financial Statements.

# The Boys and Girls Clubs of Hartford, Inc.

## Statement of Activities Year Ended June 30, 2018

	Without donor restrictions	With donor restrictions		Total
		Time or purpose	In perpetuity	
Revenue				
Contributions	\$ 917,896	\$ 929,890	\$ -	\$ 1,847,786
Grants and contracts	828,319	-	-	828,319
Legacies	336,410	-	-	336,410
United Way support	19,768	110,000	-	129,768
Special events	745,199	-	-	745,199
Investment return utilized for operations	276,955	27,665	-	304,620
Program fees	493,040	-	-	493,040
Other revenue	27,200	-	-	27,200
Net assets released from restrictions	1,009,143	(1,009,143)	-	-
Total revenue	4,653,930	58,412	-	4,712,342
Functional expenses				
Program services	3,254,926	-	-	3,254,926
Management and general	671,659	-	-	671,659
Fundraising	522,129	-	-	522,129
Total expenses	4,448,714	-	-	4,448,714
Changes in net assets before non-operating activities	205,216	58,412	-	263,628
Non-operating activities				
Capital campaign contributions	96,454	3,021,808	-	3,118,262
Capital campaign expenditures	(267,567)	-	-	(267,567)
Investment return, net	456,998	44,708	-	501,706
Investment return utilized for operations	(276,955)	(27,665)	-	(304,620)
Depreciation	(458,297)	-	-	(458,297)
Change in value of assets held in trust	-	-	2,697,053	2,697,053
Net assets released from restrictions Capital campaign	800,484	(800,484)	-	-
Total non-operating activities	351,117	2,238,367	2,697,053	5,286,537
Changes in net assets	556,333	2,296,779	2,697,053	5,550,165
Net assets, beginning	10,323,497	734,785	6,936,213	17,994,495
Net assets, ending	\$ 10,879,830	\$ 3,031,564	\$ 9,633,266	\$ 23,544,660

See Notes to Financial Statements.

**The Boys and Girls Clubs of Hartford, Inc.**

**Statement of Functional Expenses  
Year Ended June 30, 2019  
(With Comparative Totals for 2018)**

	Program services	Management and general	Fundraising	2019 Total	2018 Total
Salaries and benefits					
Salaries	\$ 1,721,284	\$ 444,276	\$ 234,607	\$ 2,400,167	\$ 2,577,896
Benefits	226,774	52,193	44,369	323,336	302,276
Payroll taxes	126,693	30,520	17,099	174,312	188,676
Total salaries and benefits	2,074,751	526,989	296,075	2,897,815	3,068,848
Other operating expenses					
Direct program expenses	430,775	-	-	430,775	442,744
Building repair and maintenance	181,559	4,599	2,380	188,538	182,184
Utilities	125,902	2,925	1,514	130,341	125,487
Special events expense	-	-	137,614	137,614	168,154
Insurance	66,996	11,593	2,484	81,073	88,730
Office expense	67,627	14,232	6,884	88,743	64,489
Professional and outside services	76,885	33,719	77,292	187,896	128,460
Dues and fees	47,385	7,732	11,385	66,502	63,167
Occupancy	34,816	-	-	34,816	34,816
Miscellaneous	9,589	20,734	15,293	45,616	22,749
Travel, conferences and training	30,970	36,723	503	68,196	32,292
Telephone	20,414	3,323	1,726	25,463	23,441
Postage	254	474	1,896	2,624	2,044
Printing and publications	28	-	5,455	5,483	1,109
depreciation and capital campaign expenses	3,167,951	663,043	560,501	4,391,495	4,448,714
Capital campaign expenses	-	-	221,066	221,066	267,567
Depreciation	402,349	26,528	13,264	442,141	458,297
Total expenses	<u>\$ 3,570,300</u>	<u>\$ 689,571</u>	<u>\$ 794,831</u>	<u>\$ 5,054,702</u>	<u>\$ 5,174,578</u>

See Notes to Financial Statements.

**The Boys and Girls Clubs of Hartford, Inc.**

**Statement of Functional Expenses  
Year Ended June 30, 2018**

	Program services	Management and general	Fundraising	Total
Salaries and benefits				
Salaries	\$ 1,907,813	\$ 434,612	\$ 235,471	\$ 2,577,896
Benefits	216,796	53,296	32,184	302,276
Payroll taxes	141,157	30,300	17,219	188,676
Total salaries and benefits	2,265,766	518,208	284,874	3,068,848
Other operating expenses				
Direct program expenses	442,744	-	-	442,744
Building repair and maintenance	136,029	29,936	16,219	182,184
Utilities	92,869	21,156	11,462	125,487
Special events expense	-	-	168,154	168,154
Insurance	71,769	13,120	3,841	88,730
Office expense	42,438	14,953	7,098	64,489
Professional and outside services	93,510	24,950	10,000	128,460
Dues and fees	27,965	31,807	3,395	63,167
Occupancy	34,816	-	-	34,816
Miscellaneous	5,086	5,655	12,008	22,749
Travel, conferences and training	22,776	8,119	1,397	32,292
Telephone	18,763	3,310	1,368	23,441
Postage	224	175	1,645	2,044
Printing and publications	171	270	668	1,109
depreciation and capital campaign expenses	3,254,926	671,659	522,129	4,448,714
Capital campaign expenses	-	-	267,567	267,567
Depreciation	418,547	39,750	-	458,297
Total expenses	<u>\$ 3,673,473</u>	<u>\$ 711,409</u>	<u>\$ 789,696</u>	<u>\$ 5,174,578</u>

See Notes to Financial Statements.



**The Boys and Girls Clubs of Hartford, Inc.**

**Statements of Cash Flows  
Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Contributions, grants and other support utilized for operations	\$ 2,323,880	\$ 2,892,600
Cash received from legacies	471,017	336,410
Cash received from special events	759,433	745,199
Cash received from fees and other revenue	630,368	520,240
Interest and dividends, net of fees	109,610	92,298
Payments to suppliers and employees	<u>(4,586,980)</u>	<u>(4,711,885)</u>
Net cash used in operating activities	<u>(292,672)</u>	<u>(125,138)</u>
Cash flows from investing activities		
Proceeds from sale of investments	1,219,310	2,567,368
Purchase of investments	(1,023,296)	(2,358,679)
Purchase of property and equipment	<u>(16,923)</u>	<u>(22,663)</u>
Net cash provided by investing activities	<u>179,091</u>	<u>186,026</u>
Cash flows from financing activities		
Proceeds from contributions, non-operating	<u>1,722,524</u>	<u>800,484</u>
Net cash provided by financing activities	<u>1,722,524</u>	<u>800,484</u>
Net increase in cash and cash equivalents	1,608,943	861,372
Cash and cash equivalents, beginning	<u>1,473,936</u>	<u>612,564</u>
Cash and cash equivalents, end	<u><u>\$ 3,082,879</u></u>	<u><u>\$ 1,473,936</u></u>

**The Boys and Girls Clubs of Hartford, Inc.**

**Statements of Cash Flows  
Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Reconciliation of change in net assets to net cash used in operating activities		
Change in net assets	\$ 3,490,283	\$ 5,550,165
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	442,141	458,297
Net realized and unrealized gains on investments	(234,851)	(409,408)
Bad debt expense	24,779	49,045
Change in value of assets held in trust	89,757	(2,697,053)
Proceeds from contributions, non-operating	(1,722,524)	(800,484)
Changes in operating assets and liabilities		
Grants and other receivables	(2,377,991)	(2,214,624)
Prepaid expenses	(3,000)	(2,500)
Accounts payable and accrued liabilities	28,581	6,896
Deferred revenue	(29,847)	(65,472)
Net cash used in operating activities	<u>\$ (292,672)</u>	<u>\$ (125,138)</u>

See Notes to Financial Statements.

## **The Boys and Girls Clubs of Hartford, Inc.**

### **Notes to Financial Statements June 30, 2019 and 2018**

#### **Note 1 - Organization and summary of significant accounting policies**

##### **Organization and operations**

The Boys and Girls Clubs of Hartford, Inc. (the "Organization"), affiliated with The Boys and Girls Clubs of America, maintains several facilities in Hartford, Connecticut. The Organization provides programs of academic, cultural and social enrichment, in addition to health and life skills, and physical and recreational activities. Support is received from various sources, including grants, the United Way, private foundations, private charitable organizations and earnings from endowment funds.

##### **Newly adopted accounting standards**

During 2019, the Organization adopted the provisions of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of this guidance includes: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for acquisition or construction of long-lived assets as net assets without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classifications. The adoption of the ASU had no material impact on the net assets of the Organization.

##### **Basis of presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization reports information regarding its financial position and activities according to two classes of net assets: with or without donor restrictions. They are described as follows:

Without donor restrictions - Net assets which are not subject to explicit donor-imposed stipulations, or to those imposed by operation of law. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

With donor restrictions - Net assets whose use by the Organization is subject to explicit donor-imposed stipulations, or to those imposed by operation of law, which can be fulfilled by actions of the Organization pursuant to those stipulations, which expire by the passage of time or that they be maintained in perpetuity. The change in net assets with donor restrictions is impacted primarily by gifts with time and donor constraints, unconditional promises to give and net investment return related to donor-restricted endowment funds.

##### **Measure of operations**

The accompanying statements of activities distinguish between operating and non-operating activities. Operating activities include all revenue and expenses which are an integral part of the Organization's programs and supporting activities. Non-operating activities primarily include grants and contributions for capital purposes, investment return in excess of amounts utilized for

## The Boys and Girls Clubs of Hartford, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

operations, the change in the value of assets held in trust, depreciation and other non-operating gains and losses.

#### Available resources and liquidity

The Organization's financial assets available within one year of the statement of financial position date for general expenditures as of June 30, 2019 are as follows:

Total assets, end of year	\$ 27,326,148
Less nonfinancial assets:	
Prepaid assets	(5,500)
Property and equipment, net	(3,647,353)
Assets held in trust	<u>(9,152,407)</u>
Financial assets, end of year	14,520,888
Less those unavailable for general expenditure within one year due to:	
Contractual or donor-imposed restrictions:	
Pledges receivable, net, less current portion	(3,098,156)
Restricted by donors by time	(479,619)
Donor-restricted endowment, subject to appropriation	(178,783)
Donor-restricted endowment to be retained in perpetuity	(391,102)
Board designated endowments	(5,787,379)
Expected to be available for general expenditure within one year:	
Appropriations for operations	<u>309,708</u>
Financial assets available for general expenditure within one year	<u>\$ 4,895,557</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, accounts and contributions receivable, marketable debt and equity securities and a line of credit. See Note 7 for more information about the Organization's line of credit facility.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Organization's Investment Policy Statement requires the investment portfolio to maintain liquid instruments within its portfolio to ensure assets are available to meet general expenditures, liabilities and obligations as they come due. The Organization's investment committee reviews investment performance on a quarterly basis to consider near-term liquidity needs.

#### Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly-liquid short-term instruments with an original maturity of three months or less when acquired. Cash equivalents as of June 30, 2019 and 2018 were \$2,645,880 and \$558,716, respectively.

## **The Boys and Girls Clubs of Hartford, Inc.**

### **Notes to Financial Statements June 30, 2019 and 2018**

#### **Grants and contracts revenue, receivables and deferred revenue**

Government grants are recognized when eligible grant costs are incurred. Receivables are recognized to the extent costs have been incurred, but not reimbursed. Deferred revenue results when grant monies collected exceed grant costs incurred. Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors. As of June 30, 2019, the Organization owes one of its grantors \$18,806 of unspent funds from prior years' grants.

#### **Program fees**

Program fees include memberships dues, daycare fees and various other funds collected by the Organization to cover activities provided to its participants and members. These fees are recognized as revenue in the period in which the related services are provided.

#### **Allowances for receivables**

Allowances for pledges, grants and other receivables are determined by management based on an assessment of their collectability. Management considers past history, current economic conditions and overall viability of the obligor. Receivables are written off only when management believes amounts will not be collected. Receivables are considered past due based on invoice or pledge date.

#### **Investments**

The Organization reports investments at fair value (see Note 5) and reflects any gains or losses in the statements of activities. Gains and losses are considered without donor restrictions unless restricted by donor stipulation or law. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Nonmonetary investments received as gifts are immediately sold and recorded at the realized value.

#### **Property and equipment**

The Organization capitalizes all expenditures for property and equipment with a cost in excess of \$1,000 and a useful life of greater than three years. Purchased property and equipment are carried at cost less accumulated depreciation. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated lives for financial reporting purposes are as follows:

<u>Asset</u>	<u>Estimated lives</u>
Building and improvements	5 - 40 years
Furniture, fixtures, computers, equipment and vehicles	3 -7 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statements of activities for the period.

#### **Impairment of long-lived assets**

The Organization reviews its long-lived assets for impairment whenever events or circumstances indicate the carrying amount of the assets may not be recoverable. Recoverability of assets to be

## **The Boys and Girls Clubs of Hartford, Inc.**

### **Notes to Financial Statements June 30, 2019 and 2018**

held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There were no impairment losses during 2019 or 2018.

#### **Contributions**

Contributions received, including unconditional promises to give ("pledges"), are recognized as revenue in the period received. Contributions subject to donor-imposed stipulations which are met in the same reporting period are reported as support without donor restrictions. Pledges scheduled to be received after the fiscal year-end are shown as increases in net assets with donor restrictions (time and purpose) and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Pledges subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions (in perpetuity). Conditional promises to give are not recognized until they become unconditional, that being when the conditions upon which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair values. Contributions to be received after one year are discounted at the appropriate rate to calculate the present value of the contribution. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

#### **Gifts of long-lived assets**

The Organization reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions of acquired long-lived assets when placed in service.

#### **Contributed services**

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various committee assignments. No amounts have been recorded in the financial statements for these donated volunteer services for the years ended June 30, 2019 and 2018 as they do not meet the criteria for recognition.

The Organization did receive donations for specific materials, supplies and services by various individuals and organizations that do meet the criteria for recognition. These are recorded at fair value at the date of donation, and have been included in revenue and expenses or capital assets in the period received. The following have been recorded in the financial statements: donated use of facilities of \$34,816 for both years ended June 30, 2019 and 2018; donated materials and supplies of \$38,731 and \$49,368 for the years ended June 30, 2019 and June 30, 2018, respectively; and donated services of \$74,286 and \$96,429 for the years ended June 30, 2019 and 2018, respectively.

#### **Income taxes**

The Organization is organized as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and, as such, is not subject to federal or state corporate income taxes. The Organization has also been classified as an entity that is not a private foundation within the

## The Boys and Girls Clubs of Hartford, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Organization's federal information returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. If the Organization had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

#### Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization applies various methods to allocate costs among the various programs and support functions, the most significant of which are by time and effort and square footage of building space utilized.

#### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through December 18, 2019, which is the date the financial statements were available to be issued.

#### Note 2 - Pledges receivable

Pledges receivable as of June 30, 2019 and 2018 consist of the following:

	2019	2018
One year and less	\$ 1,465,490	\$ 979,750
One to five years	3,244,981	1,359,981
Greater than five years	256,000	112,500
	4,966,471	2,452,231
Less		
Discount to present value (3%)	(329,001)	(130,862)
Allowance for bad debt expense	(73,824)	(49,045)
	4,563,646	2,272,324
Less current portion	(1,465,490)	(979,750)
Non-current portion, net	\$ 3,098,156	\$ 1,292,574

**The Boys and Girls Clubs of Hartford, Inc.**

**Notes to Financial Statements  
June 30, 2019 and 2018**

**Note 3 - Investments**

Investments as of June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Domestic mutual funds		
Large Cap	\$ 2,034,670	\$ 1,818,710
Mid Cap	858,362	720,855
Small Cap	712,818	422,009
International mutual funds	1,075,505	1,748,707
Domestic bond funds	1,083,776	1,094,501
International bond funds	129,895	128,526
Other funds	278,774	258,771
Money market funds	249,636	192,520
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 6,423,436</u>	<u>\$ 6,384,599</u>

**Note 4 - Assets held in trust**

The Organization is the beneficiary of four perpetual trusts (the "Trusts") administered by a third-party financial institution. The Organization's interest in the net assets of each trust is included in the statements of financial position as assets held in trust and classified as net assets with donor restrictions in perpetuity. The income distributed from the Trusts for 2019 and 2018 was \$471,017 and \$336,410, respectively. The value of the assets held in trust at June 30, 2019 and 2018 was \$9,152,407 and \$9,242,164, respectively.

**Note 5 - Fair value measurements**

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.



# The Boys and Girls Clubs of Hartford, Inc.

## Notes to Financial Statements June 30, 2019 and 2018

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Financial assets carried at fair value at June 30, 2019 and 2018 are classified in the tables below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
<u>2019</u>				
Domestic mutual funds				
Large Cap	\$ 2,034,670	\$ -	\$ -	\$ 2,034,670
Mid Cap	858,362	-	-	858,362
Small Cap	712,818	-	-	712,818
International mutual funds	1,075,505	-	-	1,075,505
Domestic bond funds	1,083,776	-	-	1,083,776
International bond funds	129,895	-	-	129,895
Other funds	278,774	-	-	278,774
Money market funds	249,636	-	-	249,636
Assets held in trust	-	-	9,152,407	9,152,407
 Total	 \$ 6,423,436	 \$ -	 \$ 9,152,407	 \$ 15,575,843
 <u>2018</u>				
Domestic mutual funds				
Large Cap	\$ 1,818,710	\$ -	\$ -	\$ 1,818,710
Mid Cap	720,855	-	-	720,855
Small Cap	422,009	-	-	422,009
International mutual funds	1,748,707	-	-	1,748,707
Domestic bond funds	1,094,501	-	-	1,094,501
International bond funds	128,526	-	-	128,526
Other funds	258,771	-	-	258,771
Money market funds	192,520	-	-	192,520
Assets held in trust	-	-	9,242,164	9,242,164
 Total	 \$ 6,384,599	 \$ -	 \$ 9,242,164	 \$ 15,626,763

Investments in mutual, bond and money market funds are valued using market prices in active markets (Level 1). Mutual funds and money market funds held are open-ended funds that are registered with the Securities and Exchange Commission and are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds and money market funds are deemed to be actively traded.

The Organization's beneficial interests in assets held in trust are classified as Level 3. The fair value of the Organization's beneficial interests in assets held in trust is based on the fair values of the underlying investments within these agreements, which are established by the trustee using fair values in an active market for similar assets. The trustee provides the Organization with investment statements and valuations of its portion of the trusts at year end. These are evaluated

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**Notes to Financial Statements  
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annually by the Organization without adjustments. As such, the Company is not required to provide certain quantitative disclosures regarding the valuation methods used because they were unobtainable.

There have been no changes in the methodologies used at June 30, 2019 and 2018.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization's policy is to recognize transfers in and transfers out of the various levels as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers during the years ended June 30, 2019 and 2018.

Changes in assets measured at fair value using Level 3 inputs for the year ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning	\$ 9,242,164	\$ 6,545,111
Net investment return	381,260	683,501
Cash disbursements	(471,017)	(336,410)
Contributions	<u>-</u>	<u>2,349,962</u>
Balance, end	<u>\$ 9,152,407</u>	<u>\$ 9,242,164</u>

**Note 6 - Property and equipment**

Property and equipment as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 169,500	\$ 169,500
Buildings and improvements	8,641,046	8,629,735
Computers and equipment	103,242	160,285
Furniture and fixtures	266,426	266,426
Vehicles	<u>181,635</u>	<u>181,635</u>
	9,361,849	9,407,581
Less accumulated depreciation	<u>(5,714,496)</u>	<u>(5,335,010)</u>
Total	<u>\$ 3,647,353</u>	<u>\$ 4,072,571</u>

## **The Boys and Girls Clubs of Hartford, Inc.**

### **Notes to Financial Statements June 30, 2019 and 2018**

#### **Note 7 - Line of credit**

The Organization has a \$75,000 line of credit (the "Line") with HEDCO, Inc. under its nonprofit revolving loan fund program, which is funded by the Hartford Foundation for Public Giving. The Line bears interest at 4% per annum on any outstanding balance and matures on September 30, 2019. There was no outstanding balance at June 30, 2019 and 2018. Total interest expense paid on the Line was \$0 in both 2019 and 2018.

In April 2019, the Organization entered into a new line of credit agreement with Bank of America. This line of credit provides for up to \$1,300,000 of borrowings, with up to \$300,000 for general operations and \$1,000,000 for the construction of the new facility (see Note 15). The note bears interest at the LIBOR Daily Floating rate plus 2% and is secured by the cash, securities and other assets held in the Organization's investment account at Bank of America (see Note 3). As of June 30, 2019, there were no borrowings on this new line of credit.

#### **Note 8 - Endowment**

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors (the "Board") to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

##### **Interpretation of relevant law**

The Board has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions - in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions - in perpetuity is classified as net assets with donor restrictions - time or purpose until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by CTUPMIFA. In accordance with CTUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the various funds;
2. The purposes of the Organization and donor-restricted endowment funds;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation (depreciation) of investments;

**The Boys and Girls Clubs of Hartford, Inc.**

**Notes to Financial Statements  
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6. Other resources of the Organization; and

7. The Organization's investment policies.

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	Without donor restrictions	With donor restrictions		
		Time of Purpose	In perpetuity	Total
Donor-restricted	\$ -	\$ 178,783	\$ 391,102	\$ 569,885
Board-designated	5,787,379	-	-	5,787,379
Total funds	<u>\$ 5,787,379</u>	<u>\$ 178,783</u>	<u>\$ 391,102</u>	<u>\$ 6,357,264</u>

Changes in endowment net assets for the year ended June 30, 2019 were as follows:

	Without donor restrictions	With donor restrictions		
		Time of Purpose	In perpetuity	Total
Endowment net assets, beginning of year	\$ 5,771,218	\$ 177,562	\$ 391,102	\$ 6,339,882
Net investment return	297,660	29,454	-	327,114
Appropriations	(281,499)	(28,233)	-	(309,732)
Endowment net assets, end of year	<u>\$ 5,787,379</u>	<u>\$ 178,783</u>	<u>\$ 391,102</u>	<u>\$ 6,357,264</u>

Endowment net asset composition by type of fund for the year ended June 30, 2018 was as follows:

	Without donor restrictions	With donor restrictions		
		Time or purpose	In perpetuity	Total
Donor-restricted endowment funds	\$ -	\$ 177,562	\$ 391,102	\$ 568,664
Board-designated endowment funds	5,771,218	-	-	5,771,218
Total funds	<u>\$ 5,771,218</u>	<u>\$ 177,562</u>	<u>\$ 391,102</u>	<u>\$ 6,339,882</u>

**The Boys and Girls Clubs of Hartford, Inc.**

**Notes to Financial Statements  
June 30, 2019 and 2018**

Changes in endowment net assets for the year ended June 30, 2018 were as follows:

	Without donor restrictions	With donor restrictions		
		Time or purpose	In perpetuity	Total
Endowment net assets, beginning of year	\$ 5,589,285	\$ 160,519	\$ 391,102	\$ 6,140,906
Net investment return	458,888	44,708	-	503,596
Appropriations	(276,955)	(27,665)	-	(304,620)
Endowment net assets, end of year	<u>\$ 5,771,218</u>	<u>\$ 177,562</u>	<u>\$ 391,102</u>	<u>\$ 6,339,882</u>

*Funds with deficiencies:* From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires the Organization to retain as a fund of perpetual duration. The Organization follows a policy which prohibits spending underwater funds until such time as the fair value exceeds the original gift amount. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2019 and 2018, there were no such deficiencies.

*Return objectives and risk parameters:* The Organization adheres to investment and spending policies for endowment assets that attempt to provide a reasonably predictable stream of funding to the Organization's operating budget while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board-designated funds. According to the investment policy, as approved by the Board, the endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. It is recognized that short-term market fluctuations may cause variations in account performance.

*Strategies employed for achieving objectives:* To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation in order to achieve its long-term return objectives within prudent risk constraints.

*Spending policy and how the investment objectives relate to spending policy:* The Organization has a policy of appropriating for distribution each year an amount not to exceed 5% of the five-year (20 quarters) moving average of the endowment's fair value. These amounts shall be calculated through the calendar year-end preceding the fiscal year for which the distribution is planned. Over the long-term, the Organization expects the current spending policy to allow its endowment to grow at a rate that is consistent with its objective of maintaining the purchasing power of the endowment assets while providing additional real growth through new gifts and investment return.

**The Boys and Girls Clubs of Hartford, Inc.**

**Notes to Financial Statements  
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**Note 9 - Board-designated net assets**

Board-designated net assets of \$2,205,115 and \$629,371 as of June 30, 2019 and 2018, respectively, have been established for The Boys & Girls Club of Hartford Capital/Endowment Campaign (the "Campaign").

In fiscal year 2018, the Organization began soliciting contributions for the Campaign. Funds raised from the Campaign will be applied at the discretion of the Board (1) to the capital costs of the new construction projects ("Clubhouses") and operational funding at sites to be determined by the Board (the "Project") and/or (2) to an endowment to support the Project. Should the Board determine that the annual draw from the endowment, as determined by the Board from time to time in its discretion, is in excess of the amount required to support the new Clubhouses and continuing programs of the Organization, such excess may be used to support other Club activities.

Board-designated net assets also include \$5,787,379 and \$5,771,218 of board-designated endowment funds as of June 30, 2019 and 2018, respectively (see Note 8). Board-designated net assets for both the capital campaign and the endowment totaled \$7,992,494 and \$6,400,589 as of June 30, 2019 and 2018, respectively.

**Note 10 - Net assets limitations and restrictions**

Net assets without donor restrictions as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Board-designated endowment funds	\$ 5,787,379	\$ 5,771,218
Board-designated for capital campaign	2,205,115	629,371
Undesignated	<u>4,276,892</u>	<u>4,479,241</u>
	<u>\$ 12,269,386</u>	<u>\$ 10,879,830</u>

**The Boys and Girls Clubs of Hartford, Inc.**

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Net assets with donor restrictions as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Subject to time restrictions		
Pledges receivable, net	\$ 4,563,646	\$ 2,272,324
Unappropriated earnings from perpetual endowment	178,783	177,562
Subject to purpose and time restrictions		
Future program support	<u>479,619</u>	<u>581,678</u>
Net assets with donor restrictions -time or purpose	<u>5,222,048</u>	<u>3,031,564</u>
Amounts with perpetual restrictions		
Perpetual endowment	391,102	391,102
Assets held in trust	<u>9,152,407</u>	<u>9,242,164</u>
Net assets with donor restrictions - in perpetuity	<u>9,543,509</u>	<u>9,633,266</u>
	<u><u>\$ 14,765,557</u></u>	<u><u>\$ 12,664,830</u></u>

Net assets with donor restrictions were released as follows:

	<u>2019</u>	<u>2018</u>
Program related	\$ 825,408	\$ 832,478
Time restriction	<u>228,233</u>	<u>176,665</u>
Net assets released from operations	1,053,641	1,009,143
Capital campaign	<u>1,722,524</u>	<u>800,484</u>
Total	<u><u>\$ 2,776,165</u></u>	<u><u>\$ 1,809,627</u></u>

**Note 11 - Operating leases**

The Organization leases a vehicle and office equipment under operating lease agreements which expire at various times through June 2023. Monthly lease payments range from \$34 to \$541. Total rental expense for all operating leases for the years ended June 30, 2019 and 2018 was \$17,728 and \$18,860, respectively.

Future minimum lease payments required under noncancelable operating leases with initial lease terms in excess of one year as of June 30, 2019 are as follows:

2020	\$ 12,690
2021	11,910
2022	8,823
2023	<u>5,906</u>
Total	<u><u>\$ 39,329</u></u>

# **The Boys and Girls Clubs of Hartford, Inc.**

## **Notes to Financial Statements June 30, 2019 and 2018**

### **Note 12 - Employee benefit plan**

The Organization maintains a 401(k) plan that covers all eligible employees. The Organization matches 4% of the participant's 401(k) contributions and will make a safe harbor employer contribution in an amount equal to 4% of the employee's eligible compensation. The safe harbor employer contributions are fully vested in the year the contribution is made. 401(k) retirement expense for the years ended June 30, 2019 and 2018 was \$79,887 and \$88,211, respectively.

### **Note 13 - Asylum Hill Club unrestricted endowment disclosure**

The following disclosure is made pursuant to a contribution agreement between the Asylum Hill Boys and Girls Club Development Association, Inc. (the "Asylum Hill Club") and the Organization dated January 11, 2005, regarding the terms of an endowment contribution without donor restrictions for the benefit of the Asylum Hill Club. Results are shown below for fiscal years ended June 30, 2019 and 2018:

	2019	2018
Board-designated endowment assets for the benefit of	<u>\$ 1,832,697</u>	<u>\$ 1,825,849</u>
Appropriations from Asylum Hill Club board-	<u>\$ 86,232</u>	<u>\$ 84,024</u>
Asylum Hill Club maintenance and operating expenses	<u>\$ 570,567</u>	<u>\$ 510,052</u>

These amounts are included as part of the Organization's endowment in Note 8.

### **Note 14 - Concentrations**

#### **Credit risk**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The Organization maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. The Organization has not experienced any losses in such accounts. At June 30, 2019, the Organization had cash balances that exceeded federally insured limits of approximately \$2,377,000.

Concentrations of credit risk with respect to grants receivable are limited to contractual agreements with various federal and state organizations. Contributions and pledges receivable are limited to contributions from various foundations, businesses and individuals.

#### **Market risk**

The Organization invests in various debt and equity securities. These investment securities are recorded at fair value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit, market and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of the Organization's investments which could materially affect amounts reported in the financial statements. The Organization's investments are placed within a wide array of institutions with high credit ratings and their performance is reviewed periodically by the Finance Committee of the Board.



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**Notes to Financial Statements  
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**Note 15 - Commitments**

In April 2018, the State of Connecticut Department of Mental Health and Addiction Services ("DMHAS") approved a \$7,000,000 capital improvements bond fund grant program for the Organization, to assist with construction of a new facility in the south end of Hartford to meet the needs of youth residing in the area. The Board formally approved the grant contract in September 2018. Payments will be made under this grant on a quarterly basis upon submission, review and approval of required expenditure reports. Funds can only be utilized for the construction of the facility. If the construction with funds provided under this grant ceases to be used for its approved purpose within 10 years from the date of final payment, an amount equal to the amount of such funds minus 10% for each full year which has elapsed from the date of the final payment shall be repaid by the Organization to DMHAS.

In October 2019, the Organization signed a ground lease with the City of Hartford ("the City") to lease real property owned by the City for the construction of this new facility. The lease term is for 95 years and for a rental payment of \$1. The lease contains various requirements concerning the operation and development of the property.



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